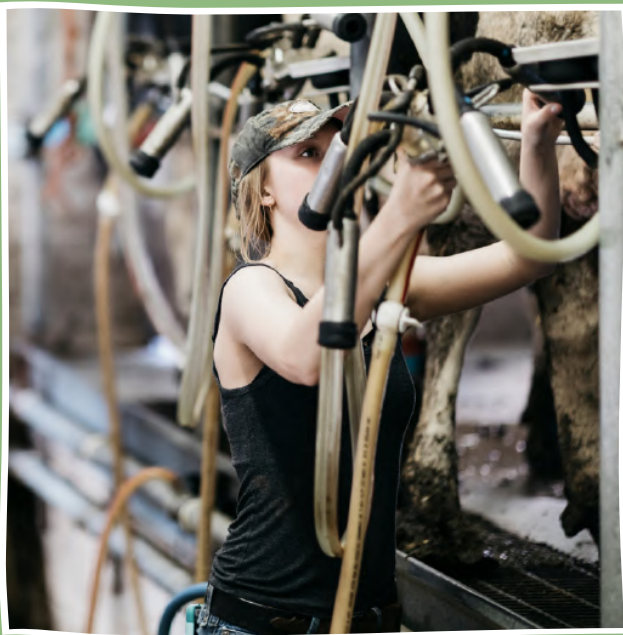


WHAT NEEDS TO CHANGE IN UK DAIRY?

Actions for a fairer, more
ethical sector



Final report of the Food Ethics Council
Dairy Project 2021-2023



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INTRODUCTION

The Dairy Project

The Food Ethics Council's Dairy Project is supporting a shift toward fairer, more ethical dairy systems. Following two years of workshops and conversations with people across the dairy sector, it is clear that there is appetite for positive change. Citizens increasingly care about the sustainability and ethics of the products they consume, and the livelihoods, animals and land embedded in the production of food and drink. Farmers want to shift to systems that are better for their animals, nature, the climate, and their own wellbeing. There is growing pressure from Government for the sector to reach net zero and reduce its environmental impact.

This shifting landscape is a vital opportunity to build robust, resilient supply chains that are not only positive for business, but also positive for people, animals and the planet. From soil to stomach, we all have a role to play in building better dairy systems. However, commitment and action from major businesses and organisations across the dairy value chain will be vital in unlocking many of the barriers to change.



This project focused first on working with farmers to understand their aspirations for – and perceived barriers to – change. Our Farmers Insights' report can be read [here](#). We then engaged with several milk buyers, processors and retailers to understand some of the positive changes that are already being made, which [you can read about here](#). This final report shares specific actions that businesses, organisations and individuals across the dairy supply chain can take to support positive change in the dairy sector – with a key focus on processors and retailers.

It is clear
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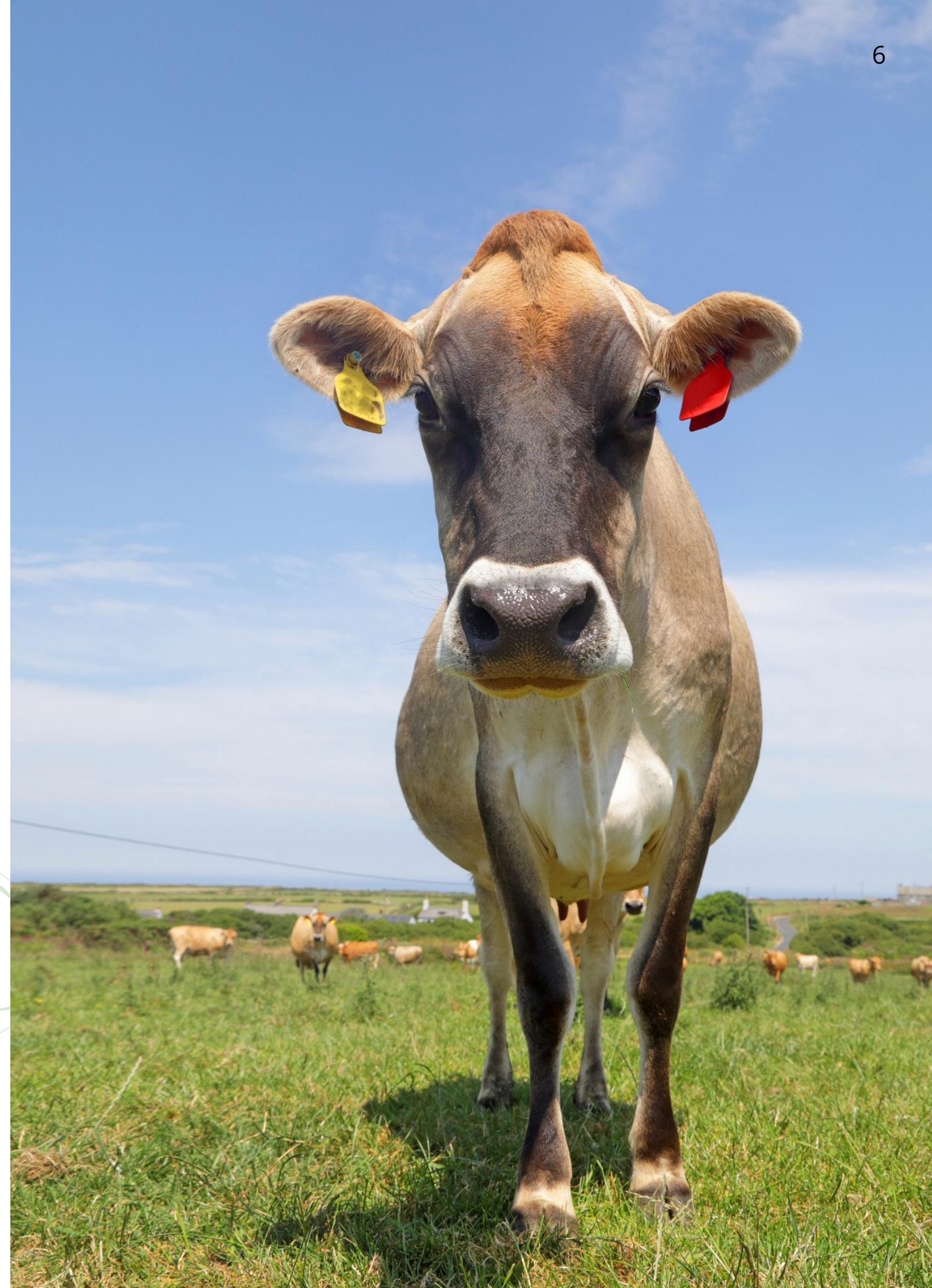
A fairer, more ethical sector

Different people have different ideas about what 'fairer, more ethical' dairy means. For some people, moving away from dairy altogether is the ethical choice. For others, ethical dairy may mean reducing the environmental footprint of the sector, improving quality of life for dairy cows, and ensuring farmers and farm workers are fairly rewarded for their work. As individuals, our ethics are shaped by our environments, education and lived experiences, therefore we understandably have diverse ethical views. Despite these differences, we generally have a shared understanding of what is unethical – such as the inhumane treatment of farm animals, exploitation of farm workers, pollution of our land and waterways, and abuses of power across the supply chain.

Therefore, as we discuss ethical dairy throughout this project, it is important to note that we have not defined a specific type of farming system as the most ethical, nor do we believe that this is the right approach. In general, we believe that dairy should be fair for people, animals and the planet.

We also recognise that every dairy farm is different and not every intervention may be suitable for every system. Geography and landscape, cattle breed, farm size, infrastructure and historical investments all impact farmers' abilities to change the way in which their farm operates. The transition to more ethical dairy is a journey we can all join - but it is not a defined destination.

There is no 'one size fits all'. We believe that all dairy farmers, whether they are indoor or outdoor, grazing or non-grazing, can make positive changes for a fairer, more ethical future.



OUR CONVERSATIONS WITH FARMERS

Understanding farmers' aspirations

We believe that in order to make dairy better for animals and the planet, we first need to ensure that farmers themselves have a fair deal and are given the financial support, time and headspace to make changes on the ground.

In 2021 and 2022, we spoke to farmers to understand their aspirations for the future, and to unearth the key barriers that are hindering them from moving toward these goals. You can read our Farmers' Insights report [here](#).

In order to make dairy better for animals and the planet, we first need to ensure that farmers themselves have a fair deal.

Farmers are currently 'stuck on a treadmill', which is impacting their wellbeing and ability to make changes.



We identified three key areas of aspiration:

Legacy

- Caring for the environment
- Creating a thriving, attractive sustainable sector for future generations
- Playing a positive role in the community

Lifestyle

- Having a healthy work-life balance
- Increasing space and time for creativity and peer-peer learning
- Improving mental and physical health
- Putting the 'fun' back in farming

Fair pay

- More and diverse contract opportunities that celebrate different businesses
- Better geographical spread of processors across the UK, and more small-scale processors
- Fair pricing that recognises true cost of production and the value of fairer, more ethical dairy
- Reducing waste across the value chain

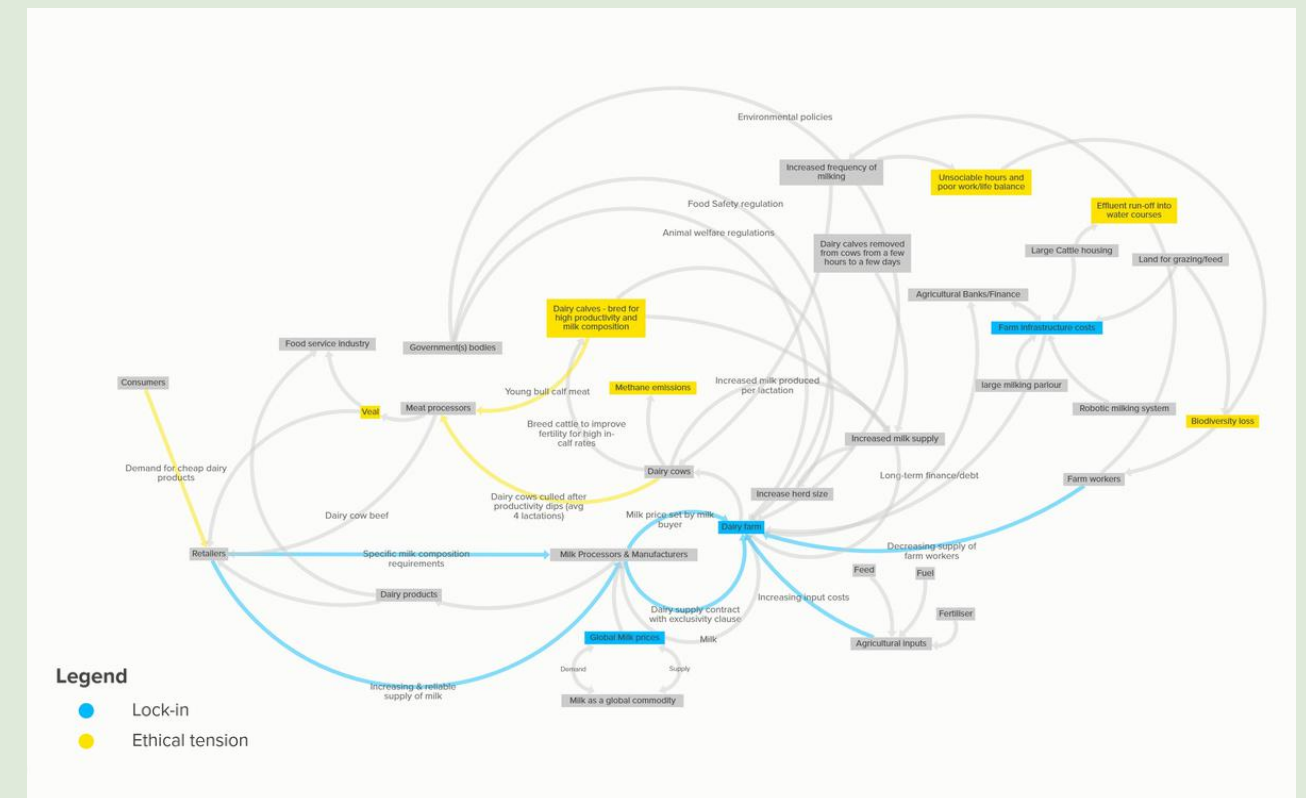
Why aren't farmers making more changes?

It's clear from these conversations that there is a real appetite for positive change at farm level, and that these aspirations align with wider societal values, as well as current market and policy priorities.

However, dairy farmers often face a tension between running a profitable business and 'doing the right thing' for the environment, animals and their workers. Many feel they are trapped in systems of volume-based production, with low farmgate prices and high levels of debt leading to financial insecurity and the inability to reinvest in their farms. They also feel that they have limited control over what and how they

produce due to restrictive contracts. Long working hours leave little time or headspace to engage in peer-to-peer learning or innovate their practices.

Farmers themselves can make changes at farm level and we have been spotlighting examples of this through our [Doing Dairy Differently case studies](#). However, in order to see a widespread, long-term and socially-just transition, the systems in which farmers operate need to change. Many of the keys to unlocking barriers to fairer, more ethical dairy systems exist elsewhere in the value chain – in the hands of processors, retailers and foodservice companies.





Dyfi Dairy, west Wales

The financial systems within which farmers operate still encourage intensive, yield-based production - little value is put on farmer wellbeing, animal welfare and ecological balance.

Conditions needed for change

Many positive changes have been made by farmers in the dairy sector to improve animal welfare, increase biodiversity, minimise pollution and reduce the global footprint of dairy. However, the financial systems within which farmers operate still encourage intensive, yield-based production and do little to support lower-input, higher-welfare farming.

These are some of the conditions farmers need for change to occur:

Assurance that they will be rewarded fairly for investing in nature friendly farming methods and are able to make changes on farm without unfair repercussions.

Clear communication and transparency, this includes with local government departments as well as processors and retailers.

Trust and respect between farmers, milk buyers and others in the value chain to enable collaboration toward shared goals.

Rebalanced risk across the sector, particularly to support farmers when transitioning to new systems.

Flexibility in milk contracts so farmers can experiment with new products and sell directly to their local communities.



In order to see a widespread, long term and socially-just transition, the systems in which farmers operate need to change.



A COLLECTIVE EFFORT

Who holds the power to enable change?

Throughout the Dairy Project, farmers have repeatedly expressed that they are often unable to shift toward different approaches to farming due to the constraints put on them by buyers, processors and retailers. This may be through restrictive contracts that require certain levels of production and do not allow for flexibility and experimentation, low farmgate milk prices that do not account for the real value of milk, nor provide sufficient buffers for shifting to different systems. In some cases, flexibility may actually exist within contracts - but many farmers still perceive them to be inflexible. In these cases, there is clearly a lack of clear communication and trust between farmers and buyers.

Every part of the dairy sector has a role to play in supporting fairer, more ethical dairy to flourish - hence this report includes ideas and recommendations for several key stakeholder groups: farmers and farming unions, landowners, processors and manufacturers, retailers, foodservice, financial services, policymakers, and educational institutions. However, we understand that processors, manufacturers and retailers do hold significant power within the value chain, and therefore hold the key to unlocking transformative change. The actions of these stakeholders must, of course, also be encouraged and enforced by bold action from government. We are aware that some milk processors and retailers are making significant progress in supporting farmers to transition and have shone a spotlight on these cases in this report. But there is still major work to do.

We understand processors, manufacturers and retailers to hold the key to unlocking significant change within the dairy sector.



Why support farmers?

Farmers are the bedrock of our rural communities and nourish us by growing, rearing and producing food. Supporting farmers to make on-farm changes is about building mutually beneficial partnerships rooted in trust, transparency and a shared vision of a fairer, more ethical future for dairy. More retailers are committing to regenerative and climate targets. However, targets alone are not enough without also providing farmers with the lines of communication, respect, flexibility and financial support needed for them to make long-term shifts. So, why support a shift to fairer, more ethical dairy systems?

Security of supply and resilience:

without farmers, there would be no dairy to sell. It is vital that the knowledges and skills of farmers are valued throughout the supply chain. Farmers are currently exiting the industry in droves and there is limited uptake for new entrants, as well as vast labour shortages across the supply chain. Without building good relationships with farmers, the long term security of supply of dairy products is threatened.

Public pressure: the public are increasingly concerned about the impact that food production has on the planet, animal welfare and farmers' livelihoods. This has been demonstrated by findings from the Food, Farming and Countryside Commission's 'National Conversation', along with notable shifts away from dairy toward plant-based alternatives due to ethical concerns. The role that some dairy farms play in polluting land and waterways is garnering increasing dismay from the



public. People's buying choices might not always correlate with their ethical concerns, due to the constraints within which people must acquire food - high rents and mortgage rates, low wages and sometimes limited physical access to good food. However, the narrative that retailers must sell 'cheap food' to meet 'consumer demand' is flawed and simply reinforces greater environmental and social harms.

Staying ahead of the regulatory curve:

retailers are under increasing pressure to meet net zero targets, including from scope three emissions. Similar accountability is growing in relation to animal welfare concerns and the biodiversity loss embedded in food production. Large scale, industrial dairy farming can be damaging for nature, animals, climate and people. However, alternative, mixed, pasture-based and regenerative practices offer the potential to capture significant amounts of carbon and build biodiversity on farms. That will allow businesses to get ahead of further regulation.

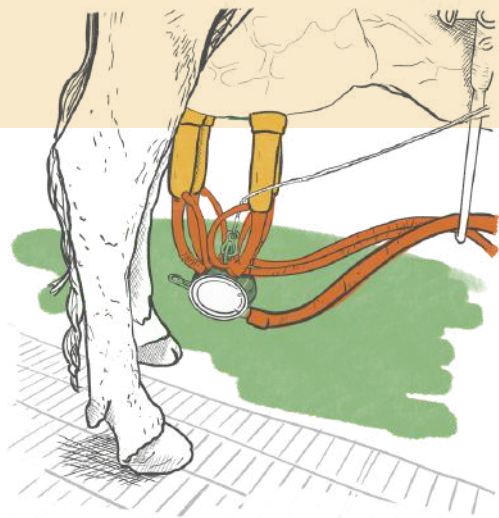


**THE ACTIONS:
KEY RECOMMENDATIONS
FOR STAKEHOLDERS**

1. Farmers and farming unions

Farmers' perceptions of their roles and responsibilities in shifting to fairer, more ethical systems varied significantly. With that, the perception of their 'power', capacity and ability to take action also varied. In certain instances where farmers lack traditional support, the same circumstances can also provide opportunities for change. We found that family pressure, fear of the unknown or of being 'judged' by others in the farming community prevented some farmers from looking beyond traditional income streams or business set-ups. Farmers selling directly have more freedom to experiment and change their systems, however, we also spoke to farmers who sell via contracts to large processors, who have found 'wiggle room' within these setups.

Although it is clear that many of the keys to unlocking change will come from elsewhere in the value chain, there are opportunities for farmers to make changes on the ground themselves. We have collected case studies of farmers who are Doing Dairy Differently on our website: [see here](#).



Actions you can lead

- **Establish Community Supported Agriculture (CSA) structures**

UK dairies operating with CSA models are currently rare in the UK, but dairy is well suited to run effectively as a CSA. Unlike the more common horticulture CSAs, dairy can be produced consistently all year round and provide reliable markets for local communities. Selling direct (whether through a CSA or other method) generally provides farmers with better prices for their products, although there are additional costs and time associated with direct selling. The CSA model not only allows farmers to develop long term relationships with local customers and increase the visibility of their operations, but it allows farmers to raise funds before having to sell their products. Up-front payments provide support for new entrants who traditionally struggle to access conventional financial mechanisms. They also provide a buffer for farms looking to make changes on-farm that may result in lower yield during the transition period.

- **Provide high quality work experience**

Labour shortages in farming, particularly dairy, are one of the biggest challenges farmers face. Overworking has a knock-on effect for physical and mental wellbeing and reduces their ability to engage in peer-to-peer learning off-farm. Although there are opportunities to engage with local colleges through farming

apprenticeships, some farmers feel there is a lack of visibility of the range of different dairy systems in the UK through these apprenticeships. Dairy is commonly seen as an unattractive sector for young people. Dairy farms that using or transitioning to less conventional systems such as regenerative, agroecological or alternative livestock management techniques can show the next generation that careers in dairy are changing and that there are opportunities to work in systems that align with their values. Work experience models such as WWOOF can also be used by dairy farmers to bring new (often international) knowledges and experience onto the farm. At all times, fair treatment and remuneration for those engaging in work experience or volunteering is essential.

- **Tell your story via social media and open farm days**

A key issue raised by farmers throughout this project was the deep disconnection felt between citizens and the dairy products they consume. People no longer know their local dairy farmers, very rarely purchase directly from farmers, and there is often public misunderstanding of the complexity of dairy farming. Low supermarket prices have perpetuated a trend of undervaluing and underappreciating milk, with an estimated 300,000 tonnes tipped down kitchen sinks each year. Social media can be a brilliant platform to 'tell your story' and to connect people, wherever they live, to the livelihoods and practices embedded in dairy production. Events such as Open Farm Sunday also provide an opportunity to connect with local communities.

Actions you can support

- Develop management skills to improve retention of good staff (see below).
- Provide more opportunities for study schemes that recognise on-farm training traineeships/ apprenticeships.

Further resources

- [Community Supported Agriculture UK](#)
- [Dyfi Dairy case study](#)
- [Just Farmers funded media workshops](#)
- [Open Farm Sunday](#)
- [Sophie Gregory on social media](#)
- [AHDB staff management resources](#)
- [WWOOF UK](#)

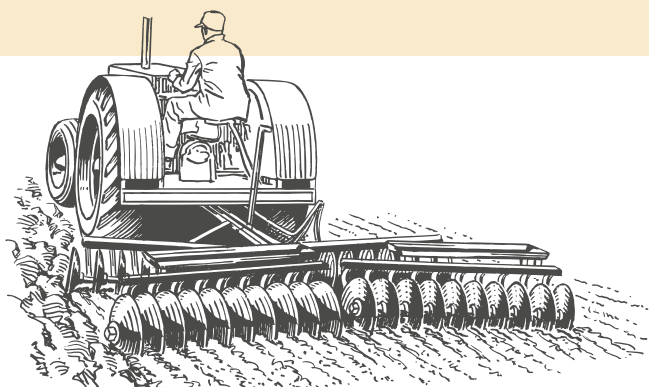


Dyfi Dairy, west Wales

2. Landowners

The role landowners have in supporting a transition in agriculture is particularly significant for the dairy sector. Around half of UK dairy farms are tenanted, either in full or part, compared to a third across the farming sector in general.

Landowners may either farm themselves or let whole or parts of land to tenant or contract farmers. The length and conditions of tenancies can vary significantly but landowners can have a significant impact on how farm businesses operate and make decisions for future investment or practices. The ownership of land is an important asset to dairy farmers in and of itself, but it also signifies an ability to confidently invest time and money in land that will be looked after for generations to come. We have heard of instances in which dairy farmers have worked hard to regenerate poor land and increase its value, to then lose out on future tenancy agreements due to price hikes. But we also know that successful partnerships between landowners and tenants are possible and can create not only increased monetary value for landowners and tenants. This can also contribute to local food communities through value-based businesses rather than simply commodity farming.



The strategy of landowners must explicitly move away from prioritising short term financial gain, towards prioritising long-term mutual benefits for farmers, landowners, the environment, and the wider community. This would build trust between tenant farmers and landowners, and provide farmers with the confidence and assurance necessary to invest time and money into better systems. As well as supporting and incentivising good practice, landowners also have a responsibility to call out bad practices.

Actions you can lead

- **Provide smaller plots of land for new, smaller farm businesses**

Whether as an owner-occupier or as a tenant, access to land is listed as one of the key barriers for new entrants to dairy. New entrants often lack the financial capital/ assets and experience needed to buy or rent established dairy farms and associated infrastructure. Smaller scale dairy plots provide an opportunity for new entrants to build their knowledge, skills and business without the associated risk and lock-ins from conventional lending. There have been a number of schemes with varying success to encourage land sharing and matching for new entrants of young farmers (e.g. the Scottish Land matching Service).

- **Provide more favourable tenancy agreements for farming systems that will care for and regenerate the land in the long term**

More favourable agreements include longer-term contracts, lower rent prices and rent increase protections. Farmers have seen significant rent hikes over the past 5 years, with increases disproportionately affecting dairy. Dairy done well has the ability to regenerate and increase the value of land over the long term, as well as support local communities through building nature-based services and local food security. However, uncertainty around future farming schemes and government requirements of landowners in contributing to net-zero has led to mistrust between some landowners and tenants, with some fearing their landlords may favour 'land sparing' business models such as tree planting rather than 'land sharing' opportunities through regenerative or organic dairy. Landowners should work with dairy farmers to co-design values-based tenancy agreements that focus on improving the environment and contributing to the local community. This would build trust and provide assurance that a long-term vision and transition will be supported from both parties.

- **Encourage collaboration between farmers across the land, supporting mixed and regenerative systems that are striving to be circular business models**

The rise in interest of regenerative agriculture and the importance of using mixed farming systems provides a clear opportunity for collaboration between

farmers from different sectors, with landowners playing a key role as facilitator. As well as an opportunity to regenerate land, landowners can also regenerate communities by connecting local food businesses and helping to create circular business models that reconnect people with food and the land it comes from. An example of this approach is [Kingsclere Estates](#) which partners with enterprises that enhance productivity and biodiversity of the estate while creating a 'closed loop' system.

Actions you can support

- Improve transparency of actions on the farm for the public to see, through social media and storytelling.
- Create more opportunities for the public to visit your land.

Further resources

- [Kingsclere Estates](#)
- [Scottish Land matching service](#)
- [Agroecological Land Matching service](#)
- [Tenant Farmers Association - Responsible Landlord Scheme](#)



3. Processors and manufacturers

Processors and manufacturers are often the main buyer and key point of contact for dairy farmers in the dairy value chain. Their relationships and dealings with farmers, particularly via contracts, have a significant impact on farmers' perceptions and trust of the wider value chain. Processors and manufacturers are uniquely positioned to communicate the needs of their farmers with retailers, but also have the ability to set a precedent through their actions for fairer dealings in dairy. As well as communicating and advocating for fairer, more ethical dairy with retailers, processors in particular have an ability to facilitate and connect dairy farmers with one another through their own regional milk pool networks. Building trust, communication and improving the overall wellbeing of dairy farmers should be a priority for processors and manufacturers in building a resilient sector, particularly for future generations.



Actions you can lead

- **Create secure, fair and flexible contracts**

While some farmer-processor relationships work well, imbalances of power still exist. Fair, flexible and secure contracts are vital in rebuilding trust, cooperation and sustainability across the value chain. The voluntary code of best practice already provides a good starting point for minimum standards of good practice. Contracts should provide clearer transparency around how pricing is set as well as committing to communicating pricing changes earlier. There should be opportunity for farmers to negotiate contractual terms without repercussions, for example around notice periods and contractual exclusivity. In addition there should not be circumstances in which contracts can be changed without farmers' agreement. Unfairness within the supply chain not only impacts farmers' wellbeing, but also limits the abilities of farmers and others to take necessary steps toward building a resilient, more climate and nature friendly sector.

- **Create regional relief milking labour pools**

A lack of time and headspace was identified by farmers as a key barrier to upskilling, getting off farm to engage with peer-to-peer learning, and improving their own physical and mental health. Labour shortages across dairy have significant impacts on the resilience of the sector and on individual farmers themselves.



Regional relief milking pools, linked to processors and colleges would help ease pressure on farms, bring new entrants into the sector and provide opportunities for knowledge exchange between farms. Moving beyond the self-employed relief milker model could help reduce labour costs for farmers, provide a support network for new farmers and create the opportunity to rotate between and learn about different milking and farming systems. Due to significant demand, it is unlikely that experienced self-employed relief milkers will be replaced by less experienced relief milkers in such a pool. However, there may be opportunity to bring in more experienced milkers as educators and supervisors.

- **Support a cross-industry effort to track and improve transparency of milk pricing**

Risk and uncertainty are an inherent part of farming, such as unpredictable weather conditions, animal disease and changing global markets. UK dairy is particularly vulnerable to price shocks due to its strong links with global milk prices, as we have seen in the past few years with changes in supply, markets and significant political events. However, although farms are taught to expect the unexpected, sudden changes in prices make day-to-day farming operations hugely challenging. Improvements in data collection and transparent milk price tracking across the value chain could help provide earlier and more accurate insights into changing market conditions, enabling farmers to build resilience to pricing shocks. Improving data collection and sharing will not address low milk prices themselves. However, improved transparency, communication and earlier

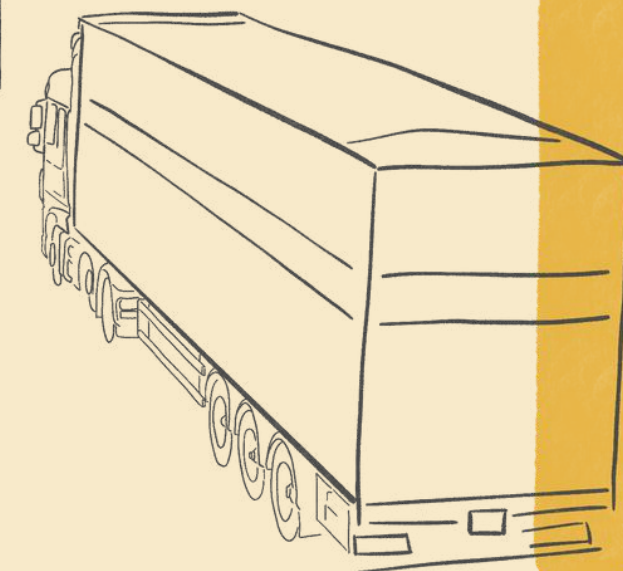
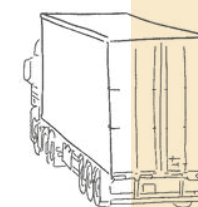
warning should go some way to building a shared understanding of the challenges stakeholders across the value chain face regarding milk pricing, and improve trust between producers and buyers.

Actions you can support

- Pass premiums on the shelf down to farmers (see 'retailers' section).
- Work with others across the sector to provide clearer access/ interpretation of milk market indicators.
- Work closely with education providers to develop practical programmes that meet the needs of future farming such as agroecological knowledge.

Further resources

- [The role of milk buyers, processors and retailers - Food Ethics Council Business Forum report 2023](#)



4. Retailers

Retailers hold a powerful position in the dairy value chain, in that they are the key communicator and convener with the general public and often provide the physical representation of farming in store through their marketing strategies and selection of products. Retailers continue to respond to both government and public pressure to reduce the environmental and animal welfare issues in dairy production, with many of these commitments being passed on to their suppliers (e.g. processors and farmers). However, we have heard that the tensions farmers face in continuing to provide certain levels of quality (such as % butterfat and protein) at the same price (in some cases even lower prices), alongside requirements to shift toward nature and climate-friendly farming practices, has pushed some farmers to the brink. In some cases, farmers have had to leave the sector. Despite retailers' commitments to make changes across their dairy supply chains, the lack of financial incentives and real, meaningful support for farmers to make these changes on-the-ground is currently keeping transition at a slow pace. The transition to fairer, more ethical dairy cannot take place in the current 'race to the bottom' paradigm that sees retailers competing for ever-lower prices on shelves, prioritising volume over quality, and failing to provide long-term security to people producing food.

Actions you can lead

- **End the sale of milk as a loss leading product**

The use of dairy as a loss leading product has artificially reduced the financial and societal value of dairy at retail and customer level. This drive to keep milk prices low has created downward pressure on farmers to produce as cheaply as possible, with some claiming they now must prioritise volume of production over quality of their end product, and engendering a 'get big or get out' mentality. Ending a loss leading price strategy for dairy will be a first step in highlighting the true cost of milk and empowering farmers to invest in creating value-based products that are better for people, their animals, and the planet. Liquid milk is currently the second most wasted food product at household level - some believe this is in part due to the artificially cheap cost of milk, along with little sense of connection to its nutritional value and the livelihoods behind its production. Ending the sale of milk as a loss leader can begin to support a societal transition towards 'less but better' milk and dairy products in citizens' fridges that fairly reward good farming.

- **Pass premiums on the shelf down to those farmers using sustainable practices**

Where certain dairy systems such as organic and pasture-fed are awarded product premiums on the supermarket shelf, and the customer is willing to pay more, these premiums should be passed

down to the farmer through higher farmgate payments. At a time where we are seeing some organic farmers convert back to conventional systems, it is vital to ensure that there are financial incentives for farmers to transition to more environmentally friendly and higher welfare practices and to have assurance that long-term investment in these changes will be fairly rewarded. The organic dairy sector is currently in a vulnerable position. Farmgate premiums for organic milk are now only 5p higher (12%) than conventional milk, whereas in previous years organic farmers were typically rewarded with a 25-30% premium at farmgate.

- **Design and promote products from a diversity of dairy systems with higher welfare and environmental standards**

There is increasing demand from the public for high welfare dairy products. Examples include the success of cow-with-calf systems such as [The Ethical Dairy](#), [Mossgiel Organic Farm](#) and [Dyfi Dairy](#). Dairy systems that operate cow-with-calf or no-slaughter policies currently tend to process and sell directly through farmers' markets or doorstep delivery. We have also heard of a small number of farmers operating cow-with-calf systems selling into conventional milk pools but losing the story, value and uniqueness of their product. Despite the success of these high-welfare products in local pockets, they are not being sold and marketed at large scale and the majority of citizens do not have access to them. Some retailers have responded to concerns from their customers on dairy cow welfare by investing resources into

the development of dairy-free alternatives. However, we believe the same should be done for 'alternative' high-welfare dairy products. Retailers should share knowledge with the public on the diversity of dairy systems that already exist within the UK, such as pasture based systems or dual purpose breeds, via marketing and storytelling. Embracing and championing diverse dairy at a retail level will provide a clear signal to farmers that there is a market opportunity to move away from high input/high output systems, to smaller and slower systems that are kinder to people, animals and planet.

Actions you can support

- Create secure, fair and flexible contracts.
- Raise the standards in processed dairy products by creating a market demand.
- Connect colleagues within the business to producers via on-farm meetings and open days.
- Support a cross-industry effort in improving data collection and transparency of milk pricing/ tracking.

The transition to fairer, more ethical dairy cannot take place in the current 'race to the bottom' paradigm that sees retailers competing for ever-lower prices on shelves, prioritising volume over quality, and failing to provide long-term security to the people producing food.





5. Foodservice

The foodservice sector, whether fast food outlets, restaurants or catering companies, can provide exciting opportunities for the general public to sample, connect with and learn more about where their food comes from. We know that more than ever, people care about provenance and want more transparency, traceability and storytelling around food. When there are opportunities to access sustainable, locally produced food, customers will often choose these options. Foodservice is well placed to champion better and diverse dairy through changes in their purchasing and sourcing commitments and by sharing knowledge with customers whether through social media marketing or simply conversations at tables with customers, on the role of dairy with high environmental and welfare standards.

Actions you can lead

- **Raise the standards in processed dairy products**

Processed dairy products often contain milk with lower environmental and welfare standards than that of liquid milk found on retail shelves and in foodservice outlets. The hidden standards of processed dairy should be made more visible to the public and should strive to align with the higher standards expected of liquid milk.

Raising standards across processed dairy will provide new markets for farmers already operating with nature-friendly, high-welfare systems, and will also provide incentive and an assured market for others in the sector to raise their standards. There is currently limited transparency in the foodservice and dairy manufacturing sector around dairy standards. There is a perception that the more processed a food product, the less connected the end customer feels to its production.

When manufactured ingredients are then used in foodservice, how we define food standards can become much more complex and less visible to the general public. In this case, we often find that despite a general shift in public concern for higher welfare products, this does not always follow through with purchasing habits in foodservice outlets. However, as foodservice organisations are often in direct contact with the public, raising the environmental and welfare standards of dairy-based products would provide a brilliant storytelling and marketing opportunity to connect citizens with fairer, more ethical dairy - whilst also building a bigger market for farmers producing this way.

Actions you can support

- Create secure, fair and flexible contracts (see processors and manufacturers).



6. Financial services

Our conversations with farmers have shown that the relationship and experience dairy farmers have with financial services is complex. For some, the funds and insurance that conventional financial services have been able to provide has allowed them to expand, invest and transition to farming that aligns with their values. For others, they have felt locked in to farming systems due to restrictive lending clauses and inflexibility in lending agreements. This can also impact succession planning and in some instances has led to farms selling up and starting over elsewhere for the next generation. We have heard from dairy farmers and others across the industry that a number of conventional lenders are not keeping pace with the direction of travel in dairy. For example, lending data and conditions often continue to be linked with conventional, industrial business models, focusing on intensification rather than wider environmental and social governance goals. For some dairy farmers, financial services in their current form will never be accessible or desirable. However, with changes in lending data and conditions, financial services can be a powerful vehicle in accelerating change at farm-level and for plugging the current financial gap for farmers during transition.



Actions you can lead

- **Improve and align lending data and conditions with environmental goals**

There has been a lot of interest in recent years around regenerative farming and the need for financial services to update their data to reflect the financial benefits of farming in such a way. However, financial services should commit to go even further and recognise the wider environmental gain of lending to these types of farming businesses, as well as extend the commitment to provide better lending data for agroecological farming businesses. Lending to dairy businesses that align with wider ESG goals, such as reducing harm to the environment and promoting healthy working conditions, would provide a significant boost to farmers transitioning to fairer, more ethical practices. This would also work to meet financial services' commitments to shareholders around ESG.

- **Support business strategies that prioritise diversification over intensification**

It is clear that dairy is changing and that focusing only on 'sustainable intensification' or on dairy systems that prioritise increasing outputs will no longer address the various needs of our food system, communities and planet. There is a need for greater diversity in dairy systems to provide stability and resilience in supply chains but also diversification within farms themselves.

There is growing interest in mixed farming systems, as well as the added economic and societal value farms can bring to communities through tourism, hospitality, education and business diversification. This approach not only de-risks farming businesses but gives farmers opportunities to reconnect with the general public. An ability to respond and adapt quickly to both internal and external pricing shocks is more needed than ever. Changing market demands for dairy may mean some farmers look to decrease their focus on milk production and as such will require support to create additional revenue streams through creative and diverse on-farm projects.

- **Provide preferential loan terms to new entrant dairy farmers**

A vast amount of work must be done to attract new entrants to the dairy sector. Although the average age of dairy farm workers does tend to be lower than the average farming age (75% of dairy farm employees are under the age of 49) the recruitment and retention of staff is still a key concern for farms. In 2021 [RABDF surveyed farmers](#) and found that 80% of respondents had concerns around recruitment and almost a third were considering leaving the industry due to a shortage of labour. Over the past decade there has been a steady decrease in the number of dairy farms operating in the UK with the NFU now estimating that 9% of dairy farmers will leave the sector by 2025. New entrants are well placed to lead a transition in dairy, with new perspectives and experiences from outside of farming

and limited physical and mental 'lock-ins' to current dairy systems. However, one of the biggest barriers for new entrants in setting up their own enterprises is access to finance. Rather than being another barrier to change, financial services can help new and diverse dairy flourish for the next generation. Rather than viewing new entrants as a financial risk, a new approach to lending is needed, with a recognition that a new generation of dairy farmers will create resilience in the sector, bringing much needed creativity, diversity and adaptability in a time of global change.

Actions you can support

- Allow flexibility in lending agreements, so multiple enterprises can be integrated.
- Work with others across the sector to provide clearer access/ interpretation of milk market indicators.

Further resources

- ['Farming Smarter' - agroecological development bank report](#)
- [Financing a transition - FFCC session](#)
- [Sustainable Markets Initiative](#)



7. Policymakers

Policymakers from local to national level have an exciting opportunity to both support and enforce fairer, more ethical dairy across the dairy value chain. Going forward, policymakers need to exhibit joined-up thinking and a shared sense of direction toward farming and food production that is fair, ethical and nourishing. The key thing dairy farmers expressed as a need from government is clarity over future support, whether through Environmental Land Management schemes or other mechanisms, including in the Devolved Nations. Stakeholders across the value chain urgently need to be able to plan for a future dairy sector. Without direction and clarity from government, many farmers feel they cannot begin to consider making changes.

Actions you can lead

- **Call for the Competition & Markets Authority to review milk as a loss leader**

Loss leaders have been used as a pricing strategy by retailers for a number of years. However, they have and continue to distort the reality of food production costs for customers and have led in some instances to a 'race to the bottom' around pricing, entrenching unrealistic expectations of milk prices. Artificially low prices are unsustainable and risk devaluing food and drink products, often at the cost of producers.

A review into loss leaders - both for milk and other products - would go some way to ensuring producers are paid fairly, providing honest pricing for customers and improving transparency of how food is produced - including the currently 'hidden' costs associated with this.



- **Review the shortage occupation list for farming with specific attention to dairy**

Access to labour was cited as one of the biggest concerns for dairy farmers throughout our work, and threatens the long term sustainability of the sector. Labour shortages put additional pressure on farmers and farm workers through increased hours and intensity of work. Shortages also limit the time they can spend with animals to look out for health and welfare issues. It is estimated that one in three dairy cows are currently experiencing lameness in the UK. Early intervention can prevent lameness from escalating and causing long-term issues both for cow health and productivity.

This should be a priority occupation for government to fill. Dairy can provide year-round employment with employees often living and spending within local communities.

- **Ensure safe food regulations and associated administration are reasonable for smaller dairy processing facilities**

We heard from many dairy farmers that regulation and associated paperwork was a significant stressor for poor mental health. In particular, food safety regulations and associated administration around food safety is a key barrier to farmers setting up on-site and small scale processing facilities. Some noted that regulations were unreasonably burdensome and in some cases irrelevant for the size of production/ processing system. Smaller scale processing units often do not have access to the expertise needed to interpret and implement the regulations required of them. Differing food safety standards across devolved nations was also noted as causing some confusion (for example in the sale of raw milk). Some farmers and local food producers argue that less oversight and regulation is needed in smaller food processing facilities and that shorter supply chains along with stronger trust and relationships between processors and customers should require less inspection.

- **Provide soft loans for new entrants to dairy**

The UK government has recognised in its Agricultural Transition Plan the importance in supporting new entrants and has been piloting a New Entrants Support Scheme. For new farming entrants, access to loans and funding can be particularly difficult due to limited business track record or assets that can be used as security. This is particularly difficult for new entrants to dairy due to the high infrastructure costs associated with housing and milking. Through a new entrants scheme, government could provide early-stage finance such as soft loans, with 0% interest. As well as start-up loans, government could also provide preferential lending agreements for new entrants farming in ways that align with government commitments to nature.



Dyfi Dairy, west Wales

7. Policymakers (continued)

- **Public procurement contracts to support local economy and ecology – no public money for public harm**

Public procurement has the opportunity to catalyse positive change within our food system, providing a signal to farmers that there will be an assured market for food that is produced sustainably and locally. We have already seen that dynamic procurement can increase opportunity for smaller food producers while ensuring public money supports businesses that add value to the natural environment and regenerate regional economies. The Soil Association's Food for Life programme has successfully connected schools with local, organic dairy producers, providing producers with a sustainable route to market as well as creating connections and opportunities for education around food production.

- **Funding for local dairy supply chain infrastructure, processing units and abattoirs**

We know that local food can deliver positive environmental, economic and social outcomes and we know that people care about where their food comes from. However, our current food system is highly centralised with limited routes to local markets. For dairy in particular, buyers and processors are geographically limited and tend to be large scale.

While there are limited alternative routes to market, the power to improve contracts and demand better dairy systems are left with retailers. It is important to support a diversity of routes to market, including processing facilities and abattoirs. This was demonstrated clearly during the Covid-19 pandemic, where the just-in-time model exposed a number of issues with resilience and reliability of supply.

Actions you can support

- Enforce fairer contracts through creation of a robust Dairy Code of Conduct.

Further resources

- [Food for Life Ayrshire procurement of Mossgiel Organic Dairy](#)
- [Regional Food Groups Scotland](#)
- [Sustainable Food Places policy guide](#)



The Roaming Dairy, Kingsclere Estates

Stakeholders across the value chain urgently need to be able to plan for a future dairy industry. Without direction and clarity from government, many farmers feel they cannot begin to consider making changes.

8. Schools, colleges and universities

Schools, colleges and universities have a role to play in not only addressing current rural skills gaps, but also supporting the direction of travel in dairy through the types of training, education and connections they create across the dairy sector. Universities specifically play a role in ensuring scientists and researchers are responding to the needs of the market and industry, as well as providing new insights and creative solutions. Schools in particular can bridge the perceived gap between dairy farmers and the general public by providing opportunities for schoolchildren to visit farms, understand how food is made and provide space for pupils to creatively question whether and how farming could be done in a way that better aligns with young people's environmental and social values.

Actions you can lead

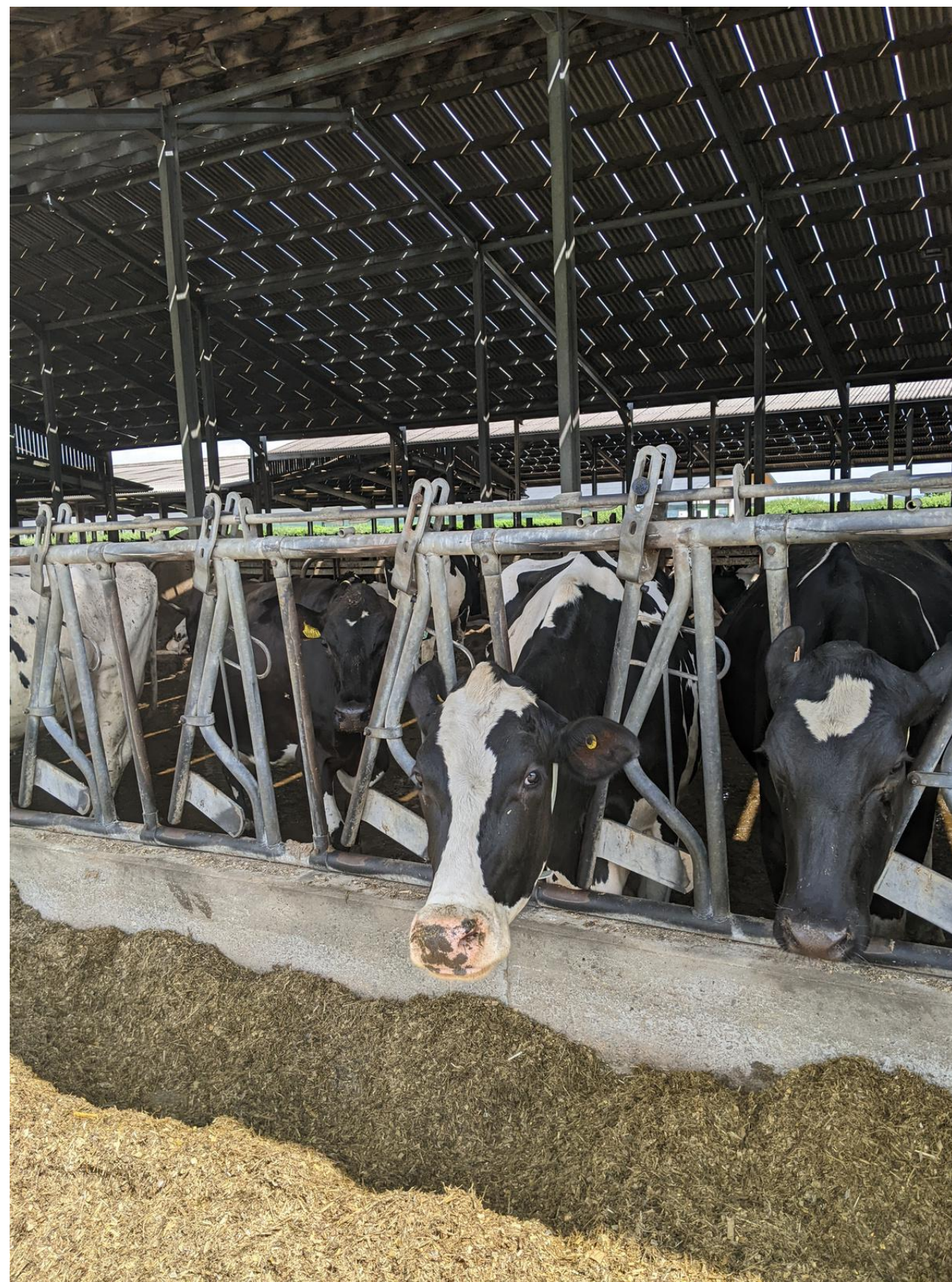
- ***Gather knowledge from farmers to develop practical programmes that meet the needs of future farming such as appropriate agricultural technologies, agroecology and micro dairying***

Schools, colleges and universities not only need to keep pace with the changing skills needed in the UK dairy sector, but they can also be a powerful vehicle for change both in attracting new entrants and by showing through diverse practical experience that a different approach to dairy is possible.

By platforming the diversity and creativity of UK dairy farmers whether through experimenting with new technologies or smaller scale operations integrating agroecological principles, a new farming generation can begin to shape a possible future for dairy.

- ***Increase access to on-farm training traineeships/ apprenticeships***

On-farm, practical and pragmatic learning schemes in dairy should be more accessible to both farmers and farm workers and be promoted widely. Apprenticeships are a great opportunity for new entrants and can also provide farms with much needed labour. However, we have heard there is a need for increased support for farm managers with guidance in staff training and an urgent need to pay apprentices/ trainees a fair salary. It was highlighted that opportunities for traineeships and apprenticeships on smaller scale dairies should be increased, however there must also be an awareness that smaller farms may lack the traditional time and money to host apprentices.



OUR TOP FIVE ACTIONS FOR A FAIRER, MORE ETHICAL DAIRY SECTOR

We understand **processors, manufacturers and retailers** to hold significant power within the dairy value chain - and therefore these stakeholders are able to unlock significant change. Our top five actions are therefore focused on these groups.

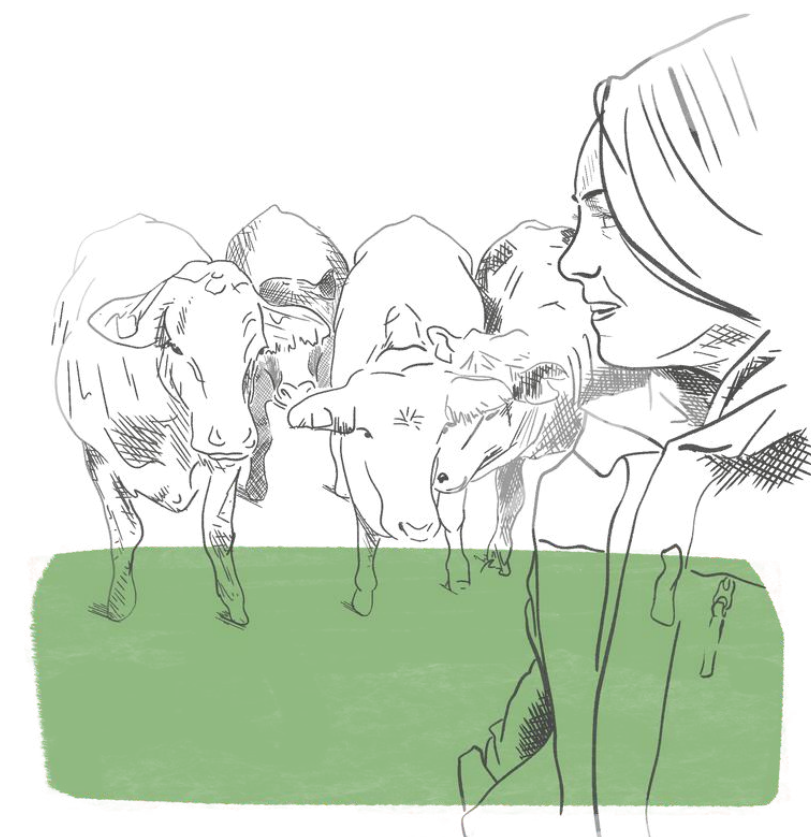
End the sale of
milk as a loss
leading product

Raise the
standards in
processed dairy
products

Create secure,
fair and flexible
contracts

Pass premiums
on the shelf
down to farmers

Create a regional
relief milking
labour pool



Concluding remarks

Conventional industrial models of dairy production need to change. At their worst, they are damaging to the planet, animals and farmers' wellbeing. Paradoxically, those already farming - or transitioning towards - organic, regenerative and/ or agroecological farming also need support in making the shift. This is not 'us' versus 'them' - this is about a shared future in which the UK can be proud of its diverse, resilient dairy sector, in which harmful practices are made obsolete.

Dairy farmers wanting to change should be given the tools to do that, whilst new entrants wanting to get into the sector and farm in alternative ways that are better for the environment, people and animals, should be excitedly encouraged in. Central to our work on dairy has been the focus on empowering farmers, rather than blaming them. Farming, done well, can nourish communities, care well for farmed animals and allow nature to flourish. Our work shows that farmers do want to take steps to reduce environmental impacts, further strengthen animal welfare and look after those in the dairy value chain better.

However, they are too often stuck on a damaging treadmill of high-output for minimal costs. There is no quick fix or simple solution, but implementing the key actions we have highlighted would make a significant difference. We urge all those in the sector to get behind these actions and to make them a reality.

Everyone has a role to play - from conventional dairy farmers to those striving to farm agroecologically, dairy processors, contract caterers, cafe managers and food manufacturers, vets, charity professionals, national or local government, and food citizens. We hope this report has demonstrated that collaboration is crucial.



Dyfi Dairy, west Wales

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